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UNCLAS SECTION 01 OF 04 BEIJING 007485

SIPDIS

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STATE PASS CONSUMER PRODUCTS SAFETY COMMISSION RICH O'BRIEN/INTL
PROGRAMS
EAP/PD FOR NIDA EMMONS
HHS FOR OSHA/STEIGER AND PASS TO FDA/LUMPKIN
USDA FOR FSIS/RAYMOND
USDA FOR FAS OA/YOST, OCRA/ALEXANDER, OSTA/BRANT AND SHNITZLER
COMMERCE FOR ITA/HIJKATA AND CINO
STATE PASS TRANSPORTATION FOR NHTSA ABRAHAM/KRATZKE
STATE PASS USTR CHINA OFFICE/TIM WINELAND
STATE PASS OMB/INT'L AFFAIRS
STATE PASS HOMELAND SECURITY COUNCIL
STATE PASS IMPORT SAFETY WORKING GROUP

E.O. 12958: n/a

TAGS: [TBIO](#) [EAGR](#) [ECON](#) [HHS](#) [ETRD](#) [BEXP](#) [CH](#)

SUBJECT: ARMS WIDE OPEN, BEIJING WELCOMES U.S. CONSUMER PRODUCT
SAFETY COMMISSION

Ref: A. Guangzhou 1249

[1](#)B. Beijing 6264

[1](#)1. (SBU) Summary: Even after a week of United States toy recalls totaling almost 5 million units, U.S. Consumer Product Safety Commission's Rich O'Brien received a cordial welcome from Beijing authorities, private industry, and the China Toy Association during a four day November visit. Meetings revealed that there is potential for cooperation with AQSIQ on new standards for toxic substances and with China Toy Association on outreach to toy manufacturers. Industry association channels are critical to disseminating information on U.S. standards, and O'Brien encouraged Chinese companies to take a more active role in seeking standards requirements from foreign buyers. In official meetings, the U.S. November 7 recall of the Aqua Dots craft toy and a surprise meeting with AQSIQ Minister Li monopolized the agenda, revealing the extent to which AQSIQ appreciated early notification from CPSC and the U.S. Embassy about the severity of the recall, enabling them to take prompt action on locating and closing down the manufacturer in Guangdong (Ref. A).

[1](#)2. (SBU) U.S. Consumer Product Safety Commission (CPSC) Director of International Programs Rich O'Brien visited Beijing November 10-14 as part a three-stop visit to China. O'Brien held official discussions with the General Administration of Quality Supervision, Inspection, and Quarantine (AQSIQ) and the Beijing CIQ, as well as private discussions with the China Toy Association, SGS testing company, and standards officials from the European Union. O'Brien also conducted a factory visit to Tong Niu apparel in northern Beijing.

Aqua Dots

13. (SBU) AQSIQ Industrial Products Division Director General Wang Xin thanked CPSC for its swift communication about the severity of the Aqua Dots craft toy problem to his office after the recall was announced, enabling AQSIQ to pursue a trail that would lead to the manufacturer and the eventual closure of the Aqua Dots plant, which O'Brien later visited (septel). Wang sought further clarity about whether the CPSC viewed the product viewed as having a design flaw or a manufacturing problem. To a child, the pellets resemble edible chocolate which could indicate a design flaw, but the toxic chemicals on the surface points to a manufacturing problem. Wang asked to receive the medical records of affected U.S. children as well as pertinent U.S. regulations on the chemical so that China could ascertain the nature of the substance and its dangers. Wang claimed the Aqua Dots manufacturer had sent product samples to testing firm Intertek in Hong Kong, which found the toy to be safe. With U.S. compliance experts still analyzing the case, including the substance's classification as chemical or narcotic, O'Brien said he would share the outcome of the investigation with the Chinese side as it becomes available. Providing medical records to Chinese officials would be difficult because of privacy concerns, he said.

14. (SBU) During a break conversation, AQSIQ officials pointed to cultural differences between the U.S. and China to explain why Aqua Dots would be less of a concern in China than they were in the United States. The intensive vigilance of Chinese parents over their children would prevent them from swallowing such toys in the first place, and officials noted that perhaps U.S. parents were not as careful. (Comment: Econoff raised the point that there was no data in China on the number of Chinese children who may have been poisoned by such toys. The AQSIQ officials, all of whom have children, conceded that it would be impossible to know. Still, their comments illustrate that Chinese parents have a higher threshold

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than typical U.S. parents for what constitutes a dangerous product.)

15. (SBU) AQSIQ Minister Li in an unscheduled meeting went on at length about Chinese efforts to ensure product safety. He also said that the U.S. and China should consider undertaking joint research into common standards for toxic substances, in addition to strengthening cooperation in special cases like Aqua Dots. CPSC should also be more objective, he said, when identifying the reasons for a recall in its public communications. O'Brien noted that the reasons for recalls are available to the public, but they are available long after the recalls are announced, and therefore do not receive much press attention.

Progress on Lead Paint Plan
and Support for Traceability

16. (SBU) Wang described AQSIQ's efforts in its lead paint action plan, including a new requirement for third-party testing, closer inspections of violating factories that export to the United States, and increases in training and dissemination of standards information to manufacturers. O'Brien noted that these were all important steps to take, but emphasized the need to sustain such measures. Wang replied that these efforts were sustainable, as long as the United States did not ask China to test every single toy, since China exports 22 billion toys every year. Although some businesses do not want a system that imposed traceability, Wang said AQSIQ supported the concept.

Tong Niu Apparel: A Model
of Standards Awareness

17. (SBU) On an AQSIQ-sponsored trip to Tong Niu apparel in northern Beijing, company executives described their aggressive safety standards in manufacturing clothes for Columbia sportswear and H&M. Before acquiring H&M as a customer in 2000, the company had little awareness of high safety standards of premiere foreign labels. H&M then supplied Tong Niu with volumes of detailed standards information and undertook a thorough testing regime with the

company. Tong Niu also hired a full time standards officer to track compliance with and changes in buyer country standards. The firm has since become a contributor to the China National Garment Association's efforts to educate other textile firms about standards. Tong Niu's higher wages and a regular 8-hour work day, which distinguish the company from its southern competitors, may be two factors that contribute to high production quality.

18. (SBU) Tong Niu's early days in the 1950s shed light on the origins of quality control in state-owned industries in China. In a system where all material and labor inputs were controlled by one single entity (the state), and all profit incentives were suppressed, tight quality control was seen as the only way to ensure a good product. (The firm even received praise from Chairman Mao for its quality.) The modern Tong Niu appears to have inherited its progenitor's business culture and emphasis on quality output despite its numerous acquisitions and expansions.

Testing Firms Face
Tighter Industrial Control

19. (SBU) Executives from joint venture testing firm SGS said that the third party testing business in China was becoming more unpredictable because of new qualification certificate and examination requirements. Qualification certificates were required

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starting in 2001 upon China's WTO accession, while the competency rules mandate that two-thirds of employees pass an annual technical examination. Market access is also a concern. Local CIQ offices must endorse the establishment of private testing company branches, resulting in a lengthy registration process that can take up to six months. Testing firms are still restricted from offering China Compulsory Certification (CCC) services, while AQSIQ subsidiary companies, which may have access to CIQ facilities and staff, are granted exclusive product certification rights in specific market areas. These restrictions and privileges are the result of AQSIQ's dual goal to impose industrial control while preserving market share for itself. Still, despite competitive pressures, private firms can benefit from government relationships. Some local governments have recommended manufacturers to seek out SGS testing services.

China Toy Association Seeks
Further Engagement with CPSC

110. (SBU) Despite concern over critical media reports about China's toy industry, China Toy Association (CTA) President Ms. May Liang said her group was pushing ahead to encourage toy manufacturers to achieve a 100 percent safety target for toy exports. CTA studies show that awareness of importer safety standards must be raised, she said. Initiatives such as CTA conferences and expanded web-based resources are intended to accomplish that goal. Liang said CTA is working through AQSIQ's system to force small companies to develop product safety standard awareness. CTA is also encouraging companies to move away from a passive approach to standards toward an active approach to learning about them. Chinese companies lose financially when recalls happen, regardless of the reason for the recall; a more active approach to standards can actually prevent financial losses. CTA supports mandatory third party testing, but Liang expressed concern about increasing costs. She acknowledged that the definition of "independent third party" in any new U.S. legislation and whether state-owned or state-affiliated testing companies would be considered as such will be of great interest to the Chinese toy industry. She said there is potential for redundant, costly testing if these state-owned/affiliated firms are not considered as independent.

Comment

111. (SBU) Foreign governments are already contributing to improved standards dissemination in China to assist regulatory authorities and industry. USTDA through its U.S.-China Standards and Conformity Assessment Cooperation Program has funded standards workshops with

the American National Standards Institute and other organizations engaged in China. Through its Quality and Standards Project, the European Commission conducts training and safety compliance work for toys exported to the European Union. Still, ensuring consistent application of standards in China will require a sustained effort by all parties involved to implant a culture of product safety inside every industry and to provide industries with the tools to self regulate. Promoting and supporting industry self-regulation, as opposed to greater market surveillance, is a better way for China to guarantee safer exports, particularly since the size of the AQSIQ workforce remains static in the face of growing exports (Ref. B).

¶12. (SBU) CPSC's cooperative approach to engaging with Chinese regulators and industry will benefit its future activities in China. China Toy Association invited CPSC to visit toy factories and contribute content to its trade publication. Similar interactions could be sought with trade groups across product categories and would likely reveal varied levels of awareness about consumer product safety rules, as well as gaps where technical assistance and

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government-to-government cooperation could make a difference.

¶13. (SBU) This cable was cleared by CPSC Rich O'Brien.

RANDT